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AUGUST 199
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HOT PRODUCT, COLD WORLD

With His New Concept Rick Duhé Thought He Had the World Beat. What He Had Was 'a Product from Hell.'

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BANKING
The New Rules of Commercial Lending

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MARKETING
What Your Receipts Should Be Telling You About Your Best Customers

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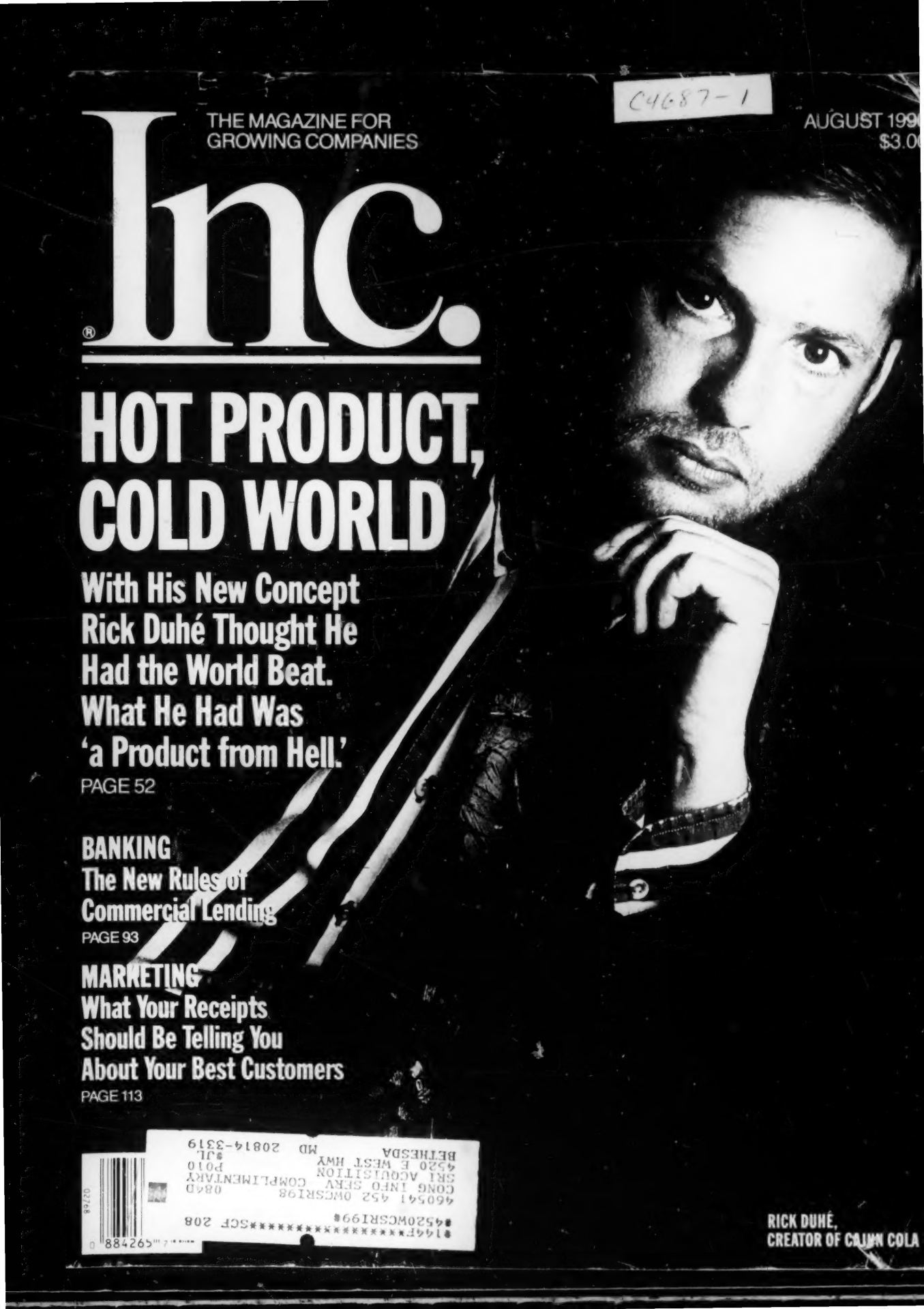

RICK DUHÉ, CREATOR OF CAJUN COLA

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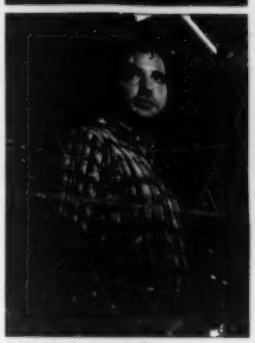
INC. COVER STORY



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COVER PHOTOGRAPH by Manuello Paganelli/ Woodfin Camp

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NEW BUSINESSES

SEGUIN COLLECTION

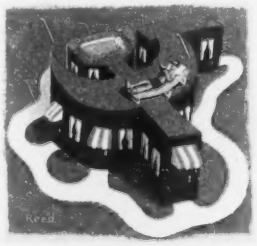
TRADING BABE FOR YOGI More and more, baseball and other sports cards are attracting serious collectors and investors, leading an ex-banker to introduce a service to value card collections. Collector Systems provides periodic reports—like portfolio valuations—on individual collections, updating the buy/sell prices through a regular nationwide survey of shops, dealers, and collectors. Critical issue: will the $1-billion sports card industry accept the Dallas firm's new valuation formula?

■

START ME UP Who's the customer for a product said to extend engine life by half? Lubrication Research initially is targeting car owners via direct mail. The Carlsbad, Calif., company hopes for big accounts, however, from the military—which wants to pamper its vehicles—and a manufacturer of truck engines, to sell in its aftermarket network. Both are testing the engine prelube device.

■

ACCIDENTAL TOURIST As *glasnost* brings more international businesses to Moscow, many visiting executives are requesting housing that feels like home. So a U.S. law firm and U.S. construction company have joined with a Soviet farm collective to build American-style garden apartments for lease to corporations. With bookings from the likes of Du Pont and Johnson & Johnson, the Rosinka project is breaking ground this summer.



MIKE REED

BOXED SET Would gift givers buy magazine subscriptions if they were sold like other presents? A Princeton, N.J., company is betting on it. Subscriber Systems boxes up gift subscription forms with greeting cards and displays them on spinning racks in shops. Retailers get a new impulse item, publishers a cheap way to add new readers.

■

BABY PROOF With all the litigation over intrauterine devices, designing new contraceptives may seem a hazardous undertaking. But a Springfield, N.J., company is convinced people want a more convenient nonpill birth control.Yama is testing a barrier device for women called Lea's Kap, which can stay in place 72 hours. With encouraging trials at the University of Southern California and in Paris, the next step is a large-scale study.

Clearer Sounds on the Radio Front

Talk about the chicken and the egg. Emil Torick had the technology for improved FM stereo reception. The question was, who could he get to buy it first—broadcasters or radio manufacturers? Listeners wouldn't benefit until radios were updated, but manufacturers would have no incentive to improve radios before stations broadcast the enhanced signal.

Torick turned to broadcasters. "You expect them to take a bit of the lead," he says, as they did with standard FM stereo. Besides, CBS and the National Association of Broadcasters were helping the cause. Torick was at CBS when he developed the technology with NAB; when CBS spun it off in 1987, both companies retained partial ownership of the new Broadcast Technology Partners.

Already, some 140 radio stations have converted to "FMX Stereo," and a smattering of new car radios are touting the hiss-free signal. "In the long run," predicts Torick, "you won't be able to sell a radio without the FMX logo."

Emil Torick

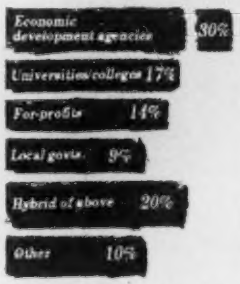
PAUL HAYNES

NOTEBOOK

In Toronto, a dejected inventor came up with a solution to his problems: a store that sells nothing but bizarre stuff that is not yet available from other retailers. New manufacturers pay to get displayed—more if they keep 100% of sales, less if they share a percentage—in return for a shot at proving themselves. The New Product Store is slated to expand to Beverly Hills this fall.

■

WHO'S SPONSORING INCUBATORS?



Source: National Business Incubation Association, Athens, Ohio, from a survey of 385 U. S. and Canadian incubators.

Depending on the sponsor, small-business incubators may have different goals: job development, technology transfer by university professors, or pure for-profit rental of office space.

■

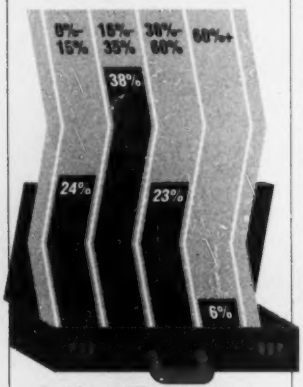
Meanwhile, the Wisconsin Women Entrepreneurs association is looking into developing a women's service firms incubator in the old Allis Chalmers headquarters. Nationally, 21% of incubator tenants are women.

HANDS ON

A MANAGER'S NOTEBOOK

BENEFITS
RISING RATES

By what percentage did your insurance premiums increase this year over last year?



Source: A survey of 250 small business owners. National Small Business United, Washington D.C., February 1990

ENVIRONMENT

Green card

The environment may be a touchy topic for business executives, but Dick Brooks makes no bones about where he stands on environmental issues. The founder and CEO of a $40-million chemical manufacturing business, ChemDesign Corp., headquartered in Fitchburg, Mass., prints it right on his business card: "chief environmental officer."

And it's not lip service. A company subsidiary was named a Friend of the Environment in Wisconsin for cleaning up an old plant it purchased there. Brooks estimates he spends 40% of his time staying two steps ahead of environmental regulations with heavy capital investments in environmental controls.

ChemDesign CEO Dick Brooks

"It also makes a statement to my employees," says Brooks. "While working at this company you either subscribe to pro-environmental policy or you don't work here." ❑

SELLING

On the floor sales

"If we can convince a customer to visit our place, we'll make the sale about 90% of the time," says Jim Ake, CEO of $11-million Electronic Liquid Fillers Inc. (ELF), in LaPorte, Ind. So Ake encourages prospective buyers by subtracting the cost of one round-trip airline fare from the invoice if the customer places an order for ELF's bottling machinery, which costs from $8,000 to $70,000.

ELF gets about one visit a day from a prospective customer. To the 50% of ELF's customers that are small companies, the airfare offer can be a deciding factor on whether to fly out, while big-company customers don't even bother sending in tickets for reimbursement.

"When they see this company has meat on its bones and will be here to service the equipment, it means a lot," says Ake. "It's well worth the cost." ❑

OPERATIONS

CEO in training

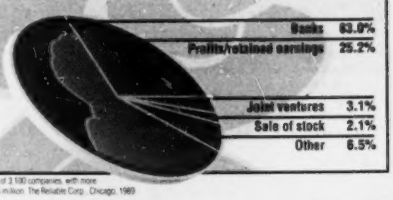
Putting in a single day on the shop floor to gain employee goodwill may backfire and bring complaints of patronizing behavior. Paul Huber, president and CEO of Seco-Warwick Corp., a manufacturer with 175 employees in Meadville, Pa., was committed to really learning the factory operations, so the floor supervisor assigned him different jobs for one day a month for a year.

When he worked as a wire welder, Huber decided the make-do machines were lacking and purchased new ones. Laying brick one day convinced him that using knee pads would be much easier than moving around pads on the floor. And after retracing his steps as an assembly worker, he improved material flow efficiency.

"I gained a much better appreciation of the company's problems," says Huber, who adds that floor employees were impressed with the quick turnaround on improvements. Now the vice-president of manufacturing, Clifford Lohr, has taken over spending one day a month on the floor. ❑

CAPITAL
MONEY SUPPLY

Where do small companies expect cash to come from in the 1990s?



Source: "1990 Small Business Outlook Survey" of 2,100 companies, with more than 80% reporting annual sales of less than $5 million. The Reliable Corp., Chicago, 1989

EMPLOYEE RELATIONS

Building trust

Fostering employee loyalty is a tall order for a CEO. One old-fashioned gesture of trust is giving employees keys to the store. At Edson International, in New Bedford, Mass., president Will Keene has given 7 of the 25 workers keys to the family-owned machine shop, which makes steering systems for yachts.

"These people have been with the company at least five years," says Keene. "They've made it known they plan to stay with our company for the long haul. They aren't out to rip us off." Newer employees get the message that long-term commitment is rewarded.

And the keys are used. Employees can work on their own projects in the shop on weekends, as long as someone else is present in case of injury. For workers who can't afford their own shop, it means a lot. ❑

CUSTOMER RELATIONS

House ads

Advertisements are everywhere. And Dave West, vice-president of San Luis Sourdough, in San Luis Obispo, Calif., uses this trend to his advantage. He runs ads in his company newsletter. West could have found paying advertisers for his quarterly six- to eight-page publication, but he gives away the space, using the ads to plug his customers.

The ads are nothing fancy. They promote whatever the customer wants and, of course, mention that the customer carries West's bread. "It's another way to thank the people who do business with us," says West. ❑

MILLICENT HARVEY

CHARTS: ELIOT BERGMAN

HIRING

Frame of reference

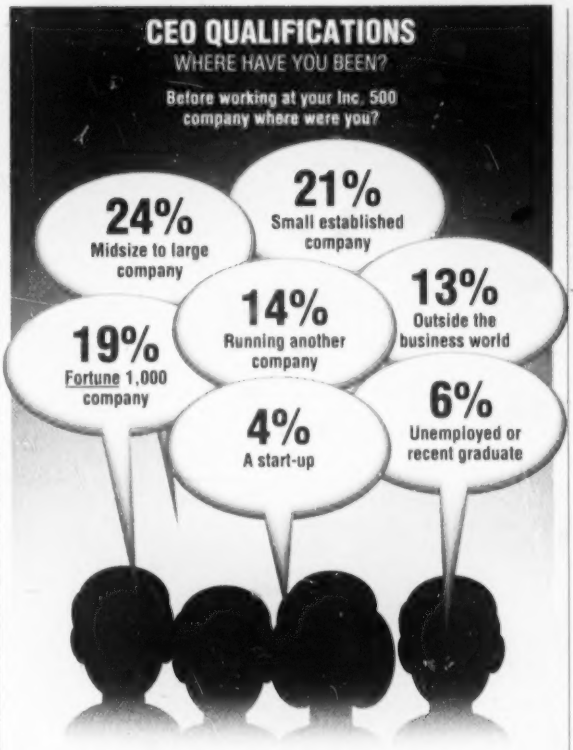
Checking a job candidate's references has become a perfunctory task for many managers. Remarks are so general they become virtually meaningless. To find out what the terms *hard worker, detail-oriented,* and *people person* really mean to someone, managers at Octel Communications Corp., in Milpitas, Calif., spend up to an hour on the phone with at least three references per candidate, discussing not just the candidate, but also the reference's own work ethic and corporate culture.

"What we're trying to gauge is the frame of reference a person is using to provide an opinion," says president and CEO Robert Cohn. "It can be very revealing."

Cohn decided not to offer a job to one management candidate after a conversation with a key reference—a senior executive who exhibited poor people skills. Why? Cohn figures if the caliber of the references doesn't match Octel's expectations, there's a pretty good chance that the job candidate's won't, either.

Apparently the method is working. Octel's employee attrition rate is 5%, twice as good as Silicon Valley standards, Cohn claims. ❑

DAN VASCONCELLOS



Source: INC. survey of 456 companies reporting a four-year growth rate of 573% or higher since 1984. Total equals more than 100% due to rounding.

FINANCE

No pay, no work

James Stroop, president and CEO of $12-million Lakewood Inc., a construction company in Holland, Mich., takes a hard line when it comes to getting paid. He stops work on any job for which payments are 20 days overdue.

"We bill for projects monthly, sending out invoices on the 25th of the month," Stroop explains. "Payment is due on the 5th or 10th day of the following month. By the 12th day, I get a list of customers whose payment hasn't been received." On days 15 through 18, Stroop and his account managers hit the phones, warning delinquent payers that projects will be shut down if payment isn't received promptly. "Usually we don't have to take further action," he notes. But if customers don't pay up, construction grinds to a halt on day 25, only to be resumed after a cashier's check is deposited in Lakewood's coffers.

Lakewood has written off less than $5,000 worth of bad debt in the company's 15-year history. "If you're dealing with regular customers, they won't want to see their shipments or services interrupted," reasons Stroop. "Companies have lots of leverage—all they have to do is be willing to use it." ❑ *HANDS ON (continued)*

CEO'S READING LIST

Managing as a Performing Art

by Peter B. Vaill
Jossey-Bass Publishers, 1989

"So much of the leadership process today involves motivating and inspiring others, communicating the rules of the game over and over again. But who nurtures the leader? How does an organization operate at a high-performance level year after year? In *Managing as a Performing Art,* Peter Vaill describes this as the search for a deeper experience.

"Vaill argues that management is not a science; it's an art form. His book is about bringing the best out in people so everyone feels the organization means something more than just what it does or the money it makes. Vaill's not suggesting that you can walk away from the importance of fiscal management.

"But the bottom line isn't the only measure. In a really good company, management also focuses on technology, on the marketplace, on being an active participant in the community. The trick is to strike a balance and not allow any one of these factors to pull too strongly and destabilize the whole.

"I agree with Vaill that managing is more than methodically watching the numbers and applying popular theories. The more integrated you are as a human being, the more effective you can be."

—Malte von Matthiessen,
CEO, YSI Inc.,
Yellow Springs, Ohio

DILIP CHAUHAN

MEETINGS

Calm before the storm

When brainstorming on a new project, creative teams at Ovation Marketing, a La Crosse, Wis., advertising agency, would often gallop off in a wrong direction, then backtrack during more sober moments. To calm overactive imaginations, CEO Ralph Heath set up a second conference room decorated with $500 worth of pillows and walls painted a calming light blue.

"It slows everybody down so we think through alternatives and make decisions more carefully," explains Heath. "We wanted to create a separate environment for these special meetings." Post-brainstorm meetings are held in a traditional conference room with electronic equipment available for focused follow-through.

Heath hasn't measured how much efficiency has increased since redecorating, but he reports that the subdued atmosphere makes it easier for him to concentrate on coming up with new ideas instead of steering the conference. ❑

ON THE CHEAP

EASY ACCESS COMPUTER INFO

By Cary Lu

If the computer age is also the information age, why is using your computer to get information so difficult? There are vast libraries of business information available that you should be able to access to look up articles about an ally or competitor, find patents, or extract financial data about a company.

But there are two problems. First, the service is expensive. An hour on Dialog, Dow Jones News/Retrieval, or Nexis can easily cost the user $100. Second, the services are difficult to use. To extract information, you have to master an arcane command language of a type that disappeared long ago from other computer software.

Fortunately there is relief, in the form of microcomputer software that lets you develop search criteria in a relatively straightforward way and automatically translate your search request into a set of commands for the information service.

■ **For Dialog information service,** Pro-Search presents a menu-driven interface on your microcomputer ($295 for Macintosh, $495 for IBM PC from Personal Bibliographic Software, 313-996-1580). You create a search within Pro-Search and connect to Dialog only after you have created a query. You'll save money by only being connected to Dialog for a minimal length of time.

■ **For Nexis,** the business information software from Mead Data Central, News Plus ($50 for IBM PC, from Mead, 800-541-6886 or 513-865-6800) works in a similar way.

■ **For Dow Jones News/Retrieval,** there is NewsReal ($179 for IBM PC, FNN Data Broadcasting Corp., 800-433-7068). Unfortunately, this is most useful for getting current national business news in a few dozen broad areas, so to use Dow Jones News Retrieval more thoroughly, you'll still have to learn the command language. ❑

MARKETING

Tracking coupons

You spend an hour talking about the benefits of your product line, and then the customer walks out before you have a chance to get his or her name and phone number. Barry Fribush, founder of Bubbling Bath Spa & Tub Works, in Rockville, Md., says with his system, that'll never happen again.

"While we are making our sales pitch," explains Fribush, "we hand the customer a coupon that entitles him to $125 worth of merchandise if he buys from us. We tell him that because this is a special offer, we need to track every coupon, so we need his name, address, and phone number."

If the customer balks, "We say that's perfectly OK, but we need the coupon back." Fribush says in the seven years he has been giving out coupons—which are redeemable for a chemical kit, pillows, and extra filter cartridges—"maybe a handful have given it back. Once we have their names, we follow up forever." ❑

BRUCE SANDERS

TED MCPERSON

MEECO Inc. president and CEO Lisa Bergson

BOARDS

Tailor-made boards

If a board of advisers pays off when planning a company's future, then why not assemble one when planning for each department? That's what Lisa Bergson, president and CEO of MEECO Inc., a $4-million maker of scientific measurement devices, figured.

Bergson wanted to revamp the company's outdated image, so she assembled a board of marketing advisers to do a case study of MEECO's marketing efforts. Five outside advisers with years of marketing expertise teamed up with five MEECO people for one long lunch. Bergson left the restaurant with sketches for a new corporate identity, trade booth, and brochure in hand.

"We are in a very technical industry and are located in Warrington, Pa., which is remote geographically. This was one way to keep our people stimulated," says Bergson, who plans to hold marketing and manufacturing advisory meetings in 1991. ❑

Reported by Teri Lammers, Paul B. Brown, Jill Andresky Fraser, Susan Greco, and Anne Murphy